

Message Text

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PAGE 01 STATE 161402

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 AGR-10 SAM-01 IO-10

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DRAFTED BY EB/OT/GCP - MGOLDMAN

APPROVED BY EB/OT/GCP - DDUNFORD

EUR/IB:EROWELL

EUR/RPE:ECASEY

LABOR:GPRATT

STR:HHENTGES

TREASURY:AGAULT

AGRICULTURE:WHUTH

COMMERCE:CSIEGEL

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R 092206Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY MADRID

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

UNCLAS STATE 161402

E.O. 11652: N/A

TAGS: ETRD, SP

SUBJECT: SPAIN'S ELIGIBILITY FOR GSP

REFS: (A) MADRID 4196, (B) STATE 120075

1. EMBASSY CORRECT IN ITS UNDERSTANDING THAT COMPETITIVE
NEED PROVISIONS OF TRADE ACT PROVIDE A MECHANISM, ALBEIT
IMPERFECT, FOR PHASING OUT PREFERENCES ON PRODUCTS AS A
COUNTRY BECOMES COMPETITIVE IN THOSE PRODUCTS. PHASING
OUT OF THE MARGINS OF PREFERENCES ALONG LINES SUGGESTED
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PAGE 02 STATE 161402

BY CERON IS NOT POSSIBLE, AS THE ACT (SECTION 504A)

PROVIDES ONLY THAT DUTY RATES MAY BE SET AT ZERO UNDER GSP OR AT REGULAR MFN RATES;

2. THE PRESIDENTIAL AUTHORITY TO REMOVE AT WILL PRODUCTS OR COUNTRIES FROM GSP STATUS COULD NOT BE USED EASILY TO ACCOMPLISH PHASE-OUT. SPAIN OR ANY OTHER COUNTRY COULD BE TAKEN OFF LIST OF BENEFICIARY COUNTRIES IN FIVE YEARS (AT TIME OF REQUIRED PRESIDENT'S REPORT TO CONGRESS) OR AT ANY OTHER TIME IT FORMALLY INDICATES SUCH A DESIRE. LIKEWISE, WE COULD REMOVE FROM GSP PRODUCTS OF INTEREST TO SPAIN, BUT THIS WOULD WORK TO THE DETRIMENT OF OTHER GSP BENEFICIARIES WHO WOULD OBJECT. IN THIS REGARD, HOWEVER, THE GOS IS AWARE THAT FOOTWEAR, A CATEGORY WHERE ARGENTINA, BRAZIL AND TAIWAN WHO WILL RECEIVE GSP ARE SPAIN'S MAJOR COMPETITORS, IS SPECIFICALLY EXCLUDED FROM GSP

BY SECTION 503(C)(1) OF THE ACT.

3. OUR INTEREST IN CONSULTATIONS IS TO FIND A SOLUTION WHICH MEETS THE REQUIREMENTS OF THE TRADE ACT, WITH RESPECT TO SIGNIFICANT ADVERSE EFFECT OF SPANISH PREFERENCES FOR EC SUPPLIERS ON US COMMERCE, WITHIN THE FRAMEWORK OF SPAIN'S EXISTING AND FUTURE RELATIONS WITH THE EC. WE VIEW ELIMINATION OF SUCH ADVERSE EFFECT, PROVIDED THAT IT DOES NOT DAMAGE SPANISH-EC RELATIONS, AS ALSO BEING IN SPAIN'S INTEREST IN TERMS OF PERMITTING SPAIN TO FILL IMPORT NEEDS AT LOWEST POSSIBLE COST. EMBASSY MAY ASSURE GOS THAT WORK IS PROCEEDING ON OUR ANALYSIS OF EFFECTS OF SPAIN'S PREFERENCES ON US COMMERCE WHICH, WHEN COMPLETED, COULD SERVE AS BASIS FOR CONSULTATIONS ON MEASURES WHICH MAY BE NEEDED IF SPAIN IS TO QUALIFY FOR GSP. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LAW, MFN, PETROLEUM, GENERALIZED PREFERENCES (TARIFFS), RELATIONS WITH REGIONAL ORGS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE161402
Document Source: CORE
Document Unique ID: 00
Drafter: MGOLDMAN
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750238-0095
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750771/aaaac1wr.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 MADRID 4196, 75 STATE 120075
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 05 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 MAR 2003 by ThomasVJ>; APPROVED <22 MAR 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SPAIN'S ELIGIBILITY FOR GSP
TAGS: ETRD, SP, EEC
To: MADRID
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006